GIORDANO HOLDINGS LIMITED

ANNUAL REPORT 1993

HONG KONG
DUBAI
MACAU
KOREA
TAIWAN
MALAYSIA
CHINA
THE PHILIPPINES
JAPAN
NEW ZEALAND
SINGAPORE

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Financial and Operation Highlights

Financial Highlights (Amounts expressed in HK$'000)	**Consolidated**		**Proforma Combined Results**		
	1993	1992	1991	1990	1989
Turnover	**2,334,135**	1,661,364	1,169,622	892,337	711,564
Turnover increase (%)	**40.5**	42.0	31.1	25.4	42.8
Profit after tax	**137,632**	115,091	85,130	45,501	28,734
Profit after tax increase (%)	**19.6**	35.2	87.1	58.4	35.8
Shareholders' funds	**454,697**	361,677	283,239	58,630	34,861
Working capital	**297,379**	238,905	219,262	9,467	(23,638)
Total debt to equity ratio	**0.8**	1.1	0.6	4.6	7.3
Bank borrowings to equity ratio	**0.1**	0	0	0	0
Current ratio	**1.8**	1.6	2.2	1.0	0.9
Inventory turnover on sales *(days)*	**59**	86	76	71	73
Return on total assets (%)	**16.7**	15.4	18.3	13.8	10.0
Return on average equity (%)	**33.7**	35.7	49.8	97.3	142.1
Return on sales (%)	**5.9**	6.9	7.3	5.1	4.0
Earnings per share *(cents)*	**22.0**	19.0	15.8	10.1	6.4
Cash dividend per share *(cents)*	**9.0**	7.5	5.0	$2.5 million on 2 shares in issue	0

Financial and Operation Highlights

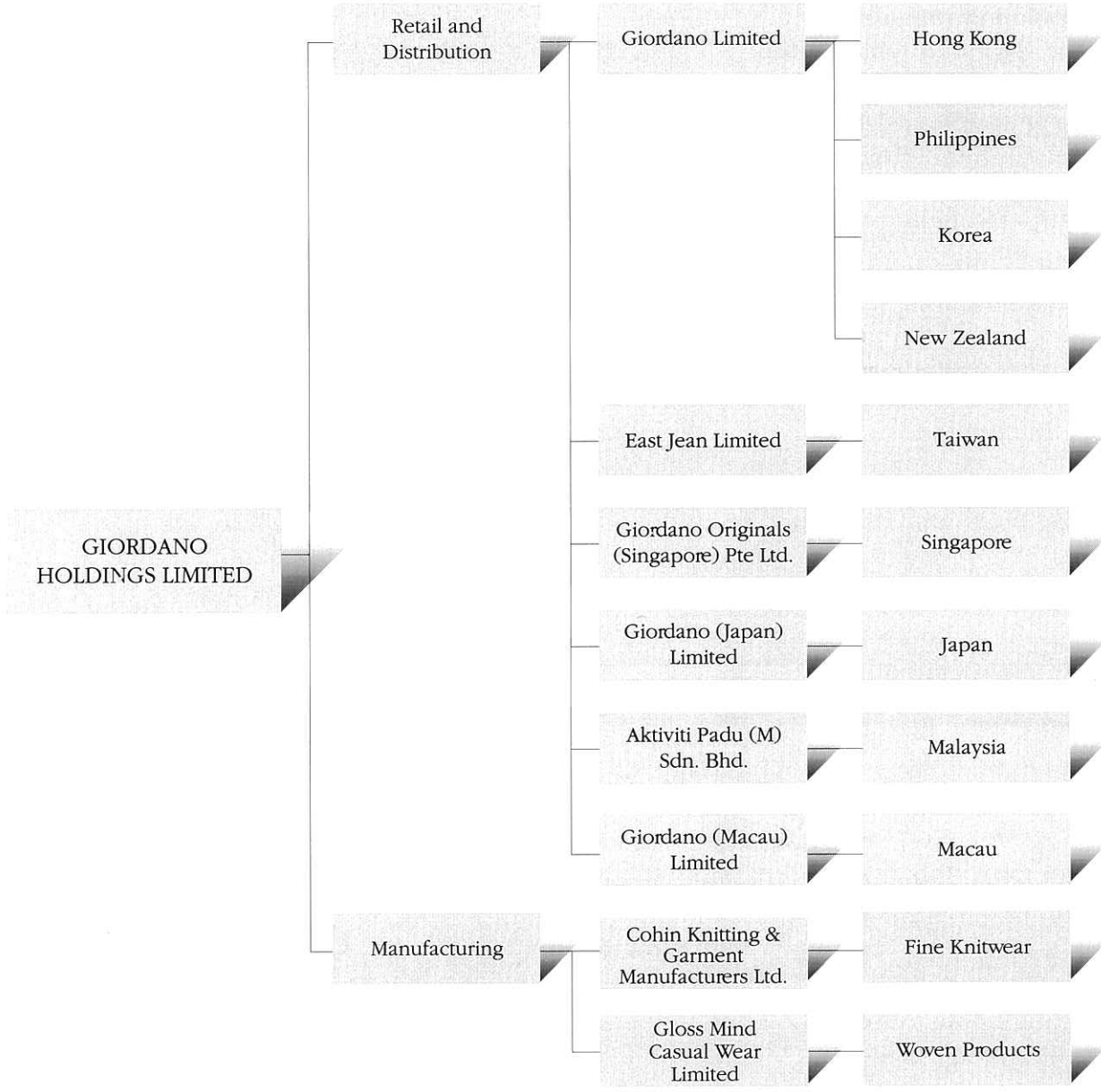
Operation Highlights

(Figures as at year end unless specified)	**1993**	1992	1991	1990	1989
No. of retail outlets directly managed by the Group	**257**	191	160	143	116
Total no. of retail outlets	**738**	614	236	148	118
Retail floor area directly managed by the Group *(sq. ft.)*	**209,500**	139,500	99,800	90,400	68,900
Sales per square foot *(HK$) (note 1)*	**12,600**	12,200	10,900	10,000	8,800
No. of employees	**2,330**	2,104	1,477	1,437	1,298
Comparable store sales increase (%) *(note 2)*	**15**	25	25	22	17
No. of sales associates	**1,502**	1,207	794	700	619

Notes:–

1. *On weighted average basis.*
2. *Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison.*

Corporate Structure



Corporate Information

DIRECTORS

Executive

Mr. Lau Kwok Kuen, Peter *(Chief Executive)*
Mr. Chan Kui Tim, Jimmy
Mr. Cheung Kam Man, Raymond
Mr. Chu Bun, Wilson
Mr. Lam Chuen Chi, Leo

Non-executive

Mr. Lai Chee Ying, Jimmy *(Chairman)*
Mr. Barry John Buttifant
Mr. Lam Chun Keung, Richard
Mr. Wang Xin Wen
Mr. Edward James Wu

COMPANY SECRETARY

Mr. Chan Kui Tim, Jimmy

REGISTERED OFFICE

5th Floor, Tin On Industrial Building
777-779 Cheung Sha Wan Road
Kowloon, Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. Lau Kwok Kuen, Peter
Mr. Chan Kui Tim, Jimmy

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Citibank N. A.
Citibank Tower
47th Floor, Citibank Plaza
3 Garden Road, Central
Hong Kong

SOLICITORS TO THE COMPANY

Robin Bridge & John Liu
22nd Floor, Lane Crawford House
70 Queen's Road Central
Hong Kong

Chao and Chung
601 Asia Pacific Finance Tower
Citibank Plaza
3 Garden Road, Central
Hong Kong

AUDITORS

Coopers & Lybrand
Certified Public Accountants
23rd Floor, Sunning Plaza
10 Hysan Avenue
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Abacus Share Registrars Limited
10th Floor, Caroline Centre
28 Yun Ping Road
Causeway Bay
Hong Kong

Chief Executive's Statement

I am happy to report that the Company has achieved record turnover in 1993 of HK$2,334.1 million. Profit after taxation amounted to HK$137.6 million for the year, an increase of 20 percent over 1992.

Earnings per share rose to 22 cents from 19 cents recorded last year. The directors have recommended a final dividend of 6.5 cents per share, bringing the total dividend for the year ended 31st December, 1993, to 9.0 cents per share, compared to a total dividend of 7.5 cents per share in the previous year.

The Company's measures taken to upgrade margins and to streamline operations yielded significant improvements for the second half of the year. Operating profit for the full year amounted to HK$180.5 million, against HK$79.1 million reported for the first half of the year. In 1994 we shall continue the measures taken to improve gross margins to a reasonable level and to simplify the Company's operations. These measures will lay a solid foundation for Giordano's future growth.

Tiger Enterprises Limited, a joint venture 20 percent-owned by the Company for the purpose of marketing the Giordano brand in China, reported a loss of HK$68.9 million for the year. Accordingly, our share of the loss was HK$13.8 million. The Company believes that Tiger Enterprises has successfully tested the China market through six directly operated shops and fifteen franchised shops operating at the end of the year. Tiger is now well positioned to benefit from the tremendous opportunities in the world's largest consumer market.

The retailing division will continue to diversify geographically into other countries in the Asian region using proven strategies of providing the best service and quality to customers, responding to consumer needs in the quickest possible way and maintaining streamlined operations. The retailing division, through joint ventures and other forms of co-operation, will establish a network of Giordano shops throughout Asia.

The manufacturing division has succeeded in several breakthroughs in the implementation of a fast manufacturing process - Just-in-Time Replenishment. The division is now using this remarkable system to establish a marketing niche in Asia. Acquisition of a sizeable plot of land in Dongguan in 1993 will allow the division to significantly increase its production capacity as and when needed.

Our suppliers have supported us with understanding, fairness and excellent service during the year. It is our belief that the Company and its suppliers must form a special relationship, that of long-term partnership and strategic alliance.

The people of Giordano relentlessly search for better ways to create value for their customers. It is their devotion and diligence, and their innovative application of knowledge and technologies that ensure Giordano's success. The directors and I are extremely thankful to and proud of these extraordinary men and women.

LAU KWOK KUEN, PETER
29th March, 1994

Management Discussion and Analysis

OVERVIEW

The year under review witnessed an expansion of the Company's activities in its major markets, as well as the planned entry into the South Korean market and the upgrading of our Philippine operation.

The Group achieved record turnover of HK$2,334.1 million in 1993, an increase of 40 percent over 1992. The total turnover comprised HK$2,150.0 million from the Retail and Distribution division and HK$184.1 million from the Manufacturing division, representing an increase of 44 percent and 9 percent respectively.

The Group's operating profit amounted to HK$180.5 million, an increase of 16 percent. Contributions from the Retail and Distribution division amounted to HK$150 million and from the Manufacturing division amounted to HK$30.5 million, representing an increase of 13 percent and 30 percent respectively. Profit for the year attributable to shareholders amounted to HK$137.6 million, an increase of 20 percent over last year.

The increase in turnover was mainly a result of increased sales from the retailing division, with a 15 percent increase in comparable shop sales over 1992 and a 35 percent increase in the number of own-managed retail outlets, from 191 to 257, with a total floor area of 209,500 square feet.

Profit growth for the year did not reach our original expectations due to a disappointing first six months. However, in the second half of the year, performance has been strong, giving an overall increase for the year of 20 percent. The improved performance in the second half of the year is mainly due to a revised policy on profit margins, improved operating efficiency, strengthened control of operating and overhead expenses, and a reduction of inventory carrying costs.

RETAILING

The Company's retailing network spans eight countries in the Pacific Rim, including Taiwan, Hong Kong, Singapore, Malaysia, Japan, Philippines, China and the latest addition in October 1993, New Zealand. Out of the 738 retail outlets, 257 are managed directly by the Company. Retail floor area directly managed by Giordano increased by 50 percent, to 209,500 square feet. In support of our retailing network, we carried out a regional advertising campaign on television and in magazines that cover all of our major markets.

Despite the disappointing first half results, the retailing division recovered strongly in the second half, achieving an overall 13 percent increase in operating profit for the year. As a result of the revision in pricing policy and other measures taken to improve operating efficiency, it is expected that the upward trend will be maintained in 1994.

While simplicity continues to be considered as an important factor in formulating our successful product lines, we have plans to revitalise the look of our outlets and introduce new product lines. The new designs will not change our image as a casual wear retailer and the Company will continue to focus on value for money retailing.

Taiwan

	1993	1992	1991	1990
Net sales *(HK$m)*	**1,003.3**	615.1	353.3	221.9
Sales per sq. ft. *(HK$)**	**9,900**	8,800	6,800	6,500
Comparable store sales increase (%)**	**28**	37	10	21
Retail floor area *(sq. ft.)****	**134,900**	81,800	58,400	43,000
Number of sales associates***	**780**	484	288	220
Number of outlets***	**174** (89 shops 85 counters)	129 (58 shops 71 counters)	114 (45 shops 69 counters)	95 (35 shops 60 counters)

* *On weighted average basis*

** *Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison*

*** *As at 31st December*

Taiwan is the Company's largest retailing market. Sales increased by 63 percent in 1993, to HK$1,003.3 million, exceeding Hong Kong for the first time. The number of outlets expanded to 174 at the end of the year, compared to 129 a year ago and retail floor area increased by 65 percent to 134,900 square feet.

The increased profit was largely a result of increased comparable shop sales, up 28 percent, and the opening of new outlets in areas not previously covered by the Company.

During the year, the distribution network has been strengthened to cope with the expanding number of outlets, which now cover all the major cities of the entire island. The new outlets, which were mainly completed in the second half of the year, are expected to contribute significantly towards profit in 1994.

Hong Kong

	1993	1992	1991	1990
Net sales *(HK$m)*	**777.7**	652.8	544.7	407.8
Sales per sq. ft. *(HK$)**	**21,200**	21,100	18,400	15,700
Comparable store sales increase (%)**	**6**	16	34	24
Retail floor area *(sq. ft.)****	**41,900**	33,100	30,600	28,700
Number of sales associates***	**479**	497	402	393
Number of outlets***	**46** (42 shops 4 counters)	37 (33 shops 4 counters)	36 (32 shops 4 counters)	35 (31 shops 4 counters)

* *On weighted average basis*

** *Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison*

*** *As at 31st December*

Retail sales in Hong Kong amounted to HK$777.7 million, an increase of 19 percent. The modest increase reflects the level of Giordano's development in this market. Outlets increased from 37 to 46 and retail floor area increased to 41,900 square feet from 33,100 square feet in 1992.

The increase in the number of outlets has resulted from the need to open shops in new shopping malls and to set up new outlets to cope with the change in shopping traffic, as well as the opening of certain new shops to replace old outlets in inferior locations. Some of these old outlets are due to be closed.

In order to cope with the escalating operating costs, particularly rental and staff costs, the streamlining of operational procedures and the promotion of operational efficiency are being actively pursued. During the second half of 1993, we have seen the benefits from this policy. We expect conditions to remain static and we believe the Hong Kong operations will provide a steady income flow in 1994.

Singapore

	1993	1992	1991	1990
Net sales *(HK$m)*	**277.5**	168.9	123.8	91.8
Sales per sq. ft. *(HK$)**	**15,100**	13,200	10,700	8,100
Comparable store sales increase (%)**	**11**	27	27	14
Retail floor area *(sq. ft.)****	**23,600**	16,900	10,800	13,100
Number of sales associates***	**206**	186	104	87
Number of outlets***	**29** (21 shops 8 counters)	16 (13 shops 3 counters)	10 (8 shops 2 counters)	13 (10 shops 3 counters)

* *On weighted average basis*

** *Regarding those outlets which were open for the full 12 months in each of the two financial years under comparison*

*** *As at 31st December*

Sales turnover in Singapore rose sharply to HK$277.5 million, an increase of 64 percent. The number of outlets totalled 29, from 16 a year ago. Sales floor area increased 40 percent to 23,600 square feet, as a result of our policy of opening shops in residential estates. The Singapore government has been encouraging the movement of shopping traffic away from the city centre and Giordano's move into residential areas has been very successful. Rental costs are lower, contributing to a higher overall profitability.

In support of the move into residential areas, the Company undertook a major advertising campaign in both print and broadcast media. We expect the growth trend to continue in 1994 as many of the new outlets were opened in the latter part of the year.

China

The joint venture company, Tiger Enterprises Limited, opened three additional shops in Guangdong in 1993, bringing the total number of shops under its direct management to six. In order to avoid further capital investment required for the opening of shops, Tiger's management decided to pursue expansion through franchise shops in the latter part of the year. A total of fifteen franchise shops have been opened, making up 11 percent of the Company's turnover.

Tiger has also made a series of adjustments to improve efficiency and profitability, including streamlining the organisational structure and the replacement of Hong Kong personnel with trained local staff.

Pricing policy was also revised to increase the gross margin, enabling Tiger to breakeven at a lower sales volume. We are optimistic that the price revisions, together with the other measures taken to strengthen the operation, will improve Tiger's performance in 1994.

Malaysia
Sales turnover increased by 117 percent in 1993, from a total of five shops and two counters directly managed by the Company. High import tariffs remained a problem in the first half of the year, but the situation improved with the use of local sourcing towards the end of the year. A small loss was reported, but we are confident that a small profit can be realised in 1994.

Philippines
Sales to the Philippines went up by 90 percent from a total of fifteen franchise shops, a net increase of six from 1992. A new joint venture agreement has been entered into with Tokyo Fashion Boutique and we believe the Giordano brand will increase its profile through a rapidly expanding network of shops.

South Korea
We are due to enter into a joint venture with Ilshin Investment Company Limited in May 1994. Giordano is planning to take an initial 30 percent stake in the joint venture, with an option to increase this stake to 50 percent in five years. The first shop is due to be opened in May 1994. In view of South Korea's rapidly growing economy, we believe the Giordano brand will be successful through the building up of a network of shops over the next two years.

Other Markets
In Japan, the distribution agreement with Aoyama Trading Company was renewed for a further three years. Aoyama is confident that sales of Giordano's products will increase in 1994, following the successful launch of their casualwear outlets offering the complete range of Giordano products. Sales to Sansukai were also promising during the year and we expect these to increase in 1994.

Our first shop in New Zealand was opened in October 1993, under a joint venture agreement, giving Giordano an 80 percent stake. While the operation is not expected to be substantial, it does provide us with an opportunity to test a market outside Asia.

MANUFACTURING
Both production units within the manufacturing division performed well in 1993. Sales turnover increased to HK$493.7 million, an improvement of 10 percent. Turnover includes sales to third parties and the Company's retailing division, including the joint venture in China.

The Just-In-Time Replenishment scheme launched in 1992 has proved to be very successful. Increased product sourcing from the retailing division has helped to reduce the Company's inventory from 86 days in 1992 to 59 days in 1993. The JIT scheme has reduced carrying costs and allowed the retailing operation to respond quicker to market changes.

In the second half of the year, the Company acquired a 100,000 square metre industrial site in Dongguan, China. We have plans to build factory buildings for the two divisions over the next three years. The construction project will be divided into three phases, with the first phase due to be completed by the end of 1994.

Knitwear Division

	1993	1992	1991	1990
Sales *(HK$m)*	**349.3**	347.5	325.6	254.7
Monthly capacity at year end *(000' dozen)*	**68**	62	51	45
Workers	**2,591**	2,696	2,342	2,021
Percentage of sales to:				
Giordano	**57**	64	66	54
Japan	**19**	14	19	16
China	**15**	12	–	–
USA	**–**	1	5	23
Korea	**–**	1	2	1
Taiwan	**1**	3	6	1
Others	**8**	5	2	5

Cohin Knitting & Garment Manufacturers Limited, who are responsible for the knitwear division, closed down its Hong Kong factory early in the year and expanded its production in China by 25 percent. As a result, manufacturing costs for the year were lower. With the acquisition of the new Dongguan site, the division will be able to increase production as the retailing business expands.

Woven Division

	1993	1992	1991	1990
Sales *(HK$m)*	**144.4**	101.9	48.8	87.1
Monthly capacity at year end *(000' pieces)*	**200**	130	47	60
Workers	**758**	692	198	559
Percentage of sales to:				
Giordano	**77**	56	82	52
Japan	**8**	11	4	5
China	**12**	24	–	–
USA	**–**	–	1	1
Korea	**–**	1	3	7
Taiwan	**–**	3	–	–
Others	**3**	5	10	35

Significant improvements have been achieved in the running of the Shenzhen factory by Gloss Mind Casual Wear Limited. Turnover has increased by 42 percent, to HK$144.4 million. The factory is now working at full capacity and the new Dongguan site will enable the division to support the increasing number of orders from overseas customers, in addition to the retailing division.

OUTLOOK

Retailing

Whilst we believe that there is potential for further growth within our present markets, the Company is looking elsewhere in the region to expand our network. As the economies of many Asian countries develop, Giordano will continue to focus on the region, capitalising on the growing awareness of the Giordano brandname. As quota restrictions and import tariffs become more relaxed outside Asia, the Company will consider further expansion.

1994 will be a year of consolidation, building on the rapid expansion of 1993. The number of new outlets opened in 1993 will, we believe, provide the foundation for another year of growth. We will continue to improve the location and size of outlets where necessary, as well as continuing with our policy of cost effectiveness.

Manufacturing

We plan to increase the proportion of products manufactured under the Just-In-Time Replenishment scheme, in view of its success. The Company has also linked up certain third party suppliers to the system to enable them to contribute towards the scheme.

As the retailing network grows in the region, so the manufacturing division has to adapt. Certain markets are becoming increasingly difficult due to high transportation costs, transportation time and high import tariffs. In view of these disadvantages, the Company has sourced products locally. Local sourcing has not been easy, due to our insistence on consistent high quality products. The Company is therefore looking at setting up production facilities outside China in the coming year.

The 100,000 square metre site in Dongguan, China, will enable us to expand capacity when it is needed. Construction work has started and the first phase consists of a jeans washing factory, to be completed in late 1994, at an estimated cost of HK$25 million. The second and third phases of construction will follow on, depending upon the needs of the manufacturing division. The facility will improve the Company's manufacturing capability and therefore, enhance the Company's profitability.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Giordano Holdings Limited (佐丹奴企業有限公司) will be held at the East and West Room, 23rd Floor, Mandarin Oriental Hotel, Central, Hong Kong on Monday, 16th May, 1994 at 9:30 a.m. for the following purposes:–

1. To receive and consider the audited accounts and the reports of the directors and auditors for the year ended 31st December, 1993.

2. To declare a final dividend.

3. To elect directors.

4. To appoint auditors and authorize the directors to fix their remuneration.

5. To consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:–

ORDINARY RESOLUTIONS

(1) "THAT

(a) subject to paragraph (c) below, a general mandate be and is hereby unconditionally given to the directors of the Company during the Relevant Period to allot, issue or otherwise deal with additional shares in the capital of the Company pursuant to Section 57B of the Companies Ordinance and to make or grant offers, agreements and options which might require the exercise of such power;

(b) the approval in paragraph (a) above shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers at any time during or after the end of the Relevant Period;

(c) the aggregate number of shares in the share capital of the Company which may be allotted, issued or otherwise dealt with by the directors of the Company pursuant to the mandate given in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of rights of subscription or conversion under the terms of any warrants or other securities issued by the Company carrying a right to subscribe for or purchase shares of the Company; or (iii) the exercise of any option under the share option scheme of the Company which has been approved by the Company, shall not exceed 20 percent of the total number of shares in the share capital of the Company in issue as at the date of this Resolution; and

(d) for the purpose of this Resolution:–

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members on a fixed record date in proportion to their holdings of shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or regulations in any territory outside Hong Kong)."

(2) "THAT

(a) subject to paragraph (b) below, a general mandate be and is hereby unconditionally given to the directors of the Company during the Relevant Period to exercise all powers of the Company to purchase shares in the capital of the Company subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other applicable stock exchange as amended from time to time;

(b) the aggregate number of shares in the share capital of the Company to be purchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10 percent of the aggregate number of shares in the share capital of the Company in issue at the date of this Resolution and the said approval shall be limited accordingly;

(c) subject to the passing of Ordinary Resolution (1) as set out in the notice convening this meeting, the general mandate granted to the directors of the Company under the said Resolution (1) to issue, allot or otherwise deal with additional shares of the Company during the Relevant Period be and is hereby extended by the addition of an amount representing the aggregate number of shares in the share capital of the Company purchased by the Company pursuant to the exercise by the directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10 percent of the aggregate number of shares in the share capital of the Company in issue at the date of this Resolution; and

(d) for the purpose of this Resolution:–

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members on a fixed record date in proportion to their holdings of shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or regulations in any territory outside Hong Kong)."

(3) "THAT the directors of the Company be and are hereby authorized from the date of the passing of this Resolution up to the date of the next following annual general meeting of the Company (both dates inclusive) to effect and arrange further purchases of garment products as trading stock by the Company and its subsidiaries (the "Group") from Comitex Holdings Limited and its subsidiaries (the "Comitex Group") provided that any further such purchase shall always have to be approved or ratified by a committee of the board of directors of the Company comprising at least two non-executive directors of the Company having no interest (whether directly or indirectly) in the transaction being considered for approval, such committee having satisfied itself that the relevant purchase is being or has been made on normal commercial terms and in the ordinary and usual course of business of the relevant member of the Group."

(4) "THAT

(a) the sourcing of raw materials and the processing of garments and other accessories during the period between the date of the passing of this Resolution up to the date of the next following annual general meeting of the Company (both dates inclusive) (the "Relevant Period") by Cohin Knitting & Garment Manufacturers Limited ("Cohin") and Gloss Mind Casual Wear Limited (formerly known as Gloss Mind Limited) ("Gloss Mind") for a joint venture formed by the Company with Mr. Jimmy Lai Chee Ying on 20th July, 1992 (the "Joint Venture Operation") pursuant to the terms and conditions of certain garment processing agreements (the "Garment Processing Agreements") entered into between the Joint Venture Operation and each of Cohin and Gloss Mind respectively on 20th July, 1992 be and is hereby approved subject always that each transaction effected pursuant to the Garment Processing Agreements shall require the approval or ratification by a committee of the board of directors of the Company comprising at least two non-executive directors of the Company having no interest (whether directly or indirectly) in such transaction, such committee having satisfied itself that the relevant transaction is being or has been made on normal commercial terms and in the ordinary and usual course of business of Cohin or Gloss Mind (as the case may be); and

(b) the Joint Venture Operation be and is hereby authorized during the Relevant Period to retain Comitex Holdings Limited and/or any of its subsidiaries for the purposes of sourcing raw materials and processing garments and other accessories for the business of the Joint Venture Operation subject always that each transaction effected pursuant to the said arrangements shall require the approval or ratification by a committee of the board of directors of the Company comprising two

non-executive directors of the Company having no interest (whether directly or indirectly) in such transaction, such committee having satisfied itself that the relevant transaction is being or has been made on normal commercial terms and in the ordinary and usual course of business of the Joint Venture Operation."

(5) "THAT the rules of the Employee Share Option Scheme of the Company adopted by resolution of the Company in general meeting on 23rd May, 1991 (as amended) ("the Scheme") be and are hereby further amended by extending the period within which share options can be exercised so that "Option Period" as defined in the rules of the Scheme (the "Scheme Rules") shall, in respect of any share option, commence on such date falling at least six months after the date of grant of such share option as the Directors may at the time when they offer to grant such share option determine and expire at the expiration of the Scheme, being the tenth anniversary of the date of its adoption, and that the Directors be hereby authorized to proceed with effecting such amendments to the Scheme Rules and the terms and conditions of any share options already granted and execute such other acts as may be necessary to put into effect the said amendment to the Scheme Rules in relation to share options previously granted under the Scheme as well as share options to be granted thereunder."

By Order of the Board
Chan Kui Tim, Jimmy
Secretary

Dated 20th April, 1994

Notes:–

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

(2) To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's share registrars, Abacus Share Registrars Limited, 10th Floor, Caroline Centre, 28 Yun Ping Road, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for holding the meeting and any adjourned meeting.

(3) The register of members of the Company will be closed from 11th May, 1994 to 16th May, 1994, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend (which will be payable on or about 17th May, 1994) to be approved at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Abacus Share Registrars Limited, 10th Floor, Caroline Centre, 28 Yun Ping Road, Causeway Bay, Hong Kong not later than 5:00 p.m. on 10th May, 1994.

(4) An explanatory statement containing the information regarding the Ordinary Resolutions set out in the above notice will be sent to shareholders with the Company's 1993 Annual Report.

Report of the Directors

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31st December, 1993.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal business of the Group is the retailing and distribution of "value for money" casual apparel and accessories under the GIORDANO brand. The Group also carries on an apparel manufacturing operation which supports the Group's retailing business and supplies products to third parties.

An analysis of the Group's turnover and contributions to operating profit by activities is as follows:–

	Turnover HK$'000	Contributions HK$'000
Retail & distribution	**2,149,995**	**149,994**
Manufacturing	**184,140**	**30,487**
	2,334,135	**180,481**

The geographical analysis of the Group's turnover is as follows:–

	HK$'000
Taiwan	**1,006,014**
Hong Kong	**791,504**
Singapore	**277,527**
Japan	**111,639**
China	**71,306**
Philippines	**32,120**
Malaysia	**15,197**
Macau	**10,494**
Other territories	**18,334**
	2,334,135

FINANCIAL INFORMATION

The results and cash flows of the Group for the year ended 31st December, 1993 and the state of affairs of the Company and of the Group at that date, are set out in the accounts on pages 25 to 42.

Report of the Directors

COMPARATIVE FINANCIAL INFORMATION

The following table summarises the results, assets and liabilities of the Group for the five years ended 31st December, 1993, which assumes that the Group structure which became effective in June, 1991 had been in existence throughout the periods prior to June, 1991. The results and financial position of the Group for each of the two years ended 31st December, 1993 and 1992 have been prepared on a consolidated basis.

	Consolidated		Proforma Combined Basis		
	1993	1992	1991	1990	1989
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**2,334,135**	1,661,364	1,169,622	892,337	711,564
Profit before taxation	**166,666**	145,569	107,695	61,072	38,513
Taxation	**29,034**	30,478	22,565	15,571	9,779
Profit for the year	**137,632**	115,091	85,130	45,501	28,734

	Consolidated		Proforma Combined Basis		
	1993	1992	1991	1990	1989
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Intangible assets	**602**	3,707	6,884	10,954	15,283
Fixed assets	**154,657**	100,353	57,859	39,002	44,390
Interest in an associated company	**4,918**	20,200	0	0	0
Other investments	**1,325**	1,956	1,777	834	128
Current assets	**662,443**	620,208	399,157	278,488	228,417
Total assets	**823,945**	746,424	465,677	329,278	288,218
Liabilities					
Current liabilities	**365,064**	381,303	179,895	269,021	252,055
Deferred taxation	**4,184**	3,444	2,543	1,627	1,302
Total liabilities	**369,248**	384,747	182,438	270,648	253,357
Net assets	**454,697**	361,677	283,239	58,630	34,861

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 6th October, 1993. The directors recommend the payment of a final dividend of 6.5 cents per share for the financial year ended 31st December, 1993.

Report of the Directors

SHARE CAPITAL
Details of the movements in the authorized and issued share capital of the Company during the year are shown in note 17 to the accounts on page 38. Details of share options granted by the Company during the year are set out in note 17 to the accounts on page 38.

RESERVES
Movements in reserves during the year are set out in note 18 to the accounts on page 39.

FIXED ASSETS
During the year, the Group acquired fixed assets of approximately HK$108 million. The principal components of these assets relate to the leasehold improvements, furniture and fixtures for the Group's retail operations in Taiwan and Hong Kong.

Movements in fixed assets during the year are set out in note 10 to the accounts on pages 34 and 35.

SUBSIDIARIES
Details of the Company's principal subsidiaries at 31st December, 1993 are set out in note 23 to the accounts on page 42.

CHARITABLE DONATIONS
Donations made for charitable purposes by the Group during the year amounted to HK$479,846 (1992: HK$304,611).

DIRECTORS
The directors who held office during the year and up to the date of this report were:–

Mr. Lai Chee Ying, Jimmy	
Mr. Lau Kwok Kuen, Peter	
Mr. Barry John Buttifant	
Mr. Edward James Wu	
Mr. Wang Xin Wen	
Mr. Lam Chun Keung, Richard	(appointed on 29th July, 1993)
Mr. Chan Kui Tim, Jimmy	(appointed on 21st February, 1994)
Mr. Cheung Kam Man, Raymond	(appointed on 21st February, 1994)
Mr. Lam Chuen Chi, Leo	(appointed on 21st February, 1994)
Mr. Chu Bun, Wilson	(appointed on 21st February, 1994)
Mr. Lee Kwok Cheung, Brian	(resigned on 31st December, 1993)

Messrs. Wang Xin Wen, Lam Chun Keung, Richard, Chan Kui Tim, Jimmy, Cheung Kam Man, Raymond, Lam Chuen Chi, Leo and Chu Bun, Wilson retire in accordance with articles 73 and 77 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

In June, 1992, the Company entered into an agreement with Mr. Lai Chee Ying, Jimmy and Tiger Enterprises Limited ("Tiger") pursuant to which the Company and Mr. Lai Chee Ying, Jimmy have agreed to become shareholders of Tiger in the proportion of 2:8. In this connection, the Company had subscribed for 200,000 ordinary shares in Tiger at par for HK$200,000 and had also made available to Tiger a loan of HK$30,400,000 for working capital purposes. Pursuant to the terms of that agreement, the Company had also in July, 1992, entered into an option agreement with Mr. Lai Chee Ying, Jimmy and Tiger, pursuant to which the Company and Mr. Lai Chee Ying, Jimmy shall have the right (to be exercised simultaneously) to subscribe for further shares in Tiger resulting in a shareholding ratio of 51:49.

During the year, the Group, under an arrangement established in the previous years, purchased sweaters from Comitex Knitters Limited, a subsidiary of Comitex Holdings Limited, amounting to HK$61,469,000 (1992: HK$99,121,000). In addition, the Group under the garment processing agreements and the licensing agreement established in the prior year, has sourcing and garment processing transactions and royalties income received from Tiger totalling HK$80,054,000 (1992: HK$70,928,000). The directors consider that the above transactions have been made in the normal course of business of the Group.

Mr. Lai Chee Ying, Jimmy as director of the Company was interested in the aforesaid transactions as he has controlling interests in both Comitex Holdings Limited and Tiger.

Apart from the above, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which any director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31st December, 1993, the interests of the directors in the share capital of the Company were as follows:–

	Number of shares held				Number of options held
Directors	**Personal**	**Family**	**Corporate**	**Total**	**beneficially**
Lai Chee Ying, Jimmy	231,526,481	—	—	231,526,481	—
Lau Kwok Kuen, Peter	—	—	—	—	3,200,000

Save as disclosed above, none of the directors and their associates had any interest in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "Ordinance")) which have to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to section 28 of the Ordinance (including interests which they are deemed or taken to have under section 31 or Part I of the Schedule to the Ordinance) or which are required, pursuant to section 29 of the Ordinance, to be entered in the register referred to therein.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year, options to subscribe for 1,700,000 ordinary shares of the Company at HK$4.44 per share were granted to the directors of the Company, of which options to subscribe for 700,000 ordinary shares were granted to Mr. Lau Kwok Kuen, Peter and options to subscribe for 1,000,000 ordinary shares were granted to Mr. Lee Kwok Cheung, Brian. Mr. Lee Kwok Cheung, Brian resigned on 31st December, 1993, following which these options granted to him were cancelled.

During the year, options for 3,700,000 shares granted in previous years have been exercised as follows:–

Directors	Number of options exercised	Exercised price per share
		HK$
Lee Kwok Cheung, Brian	2,200,000	0.81
Lee Kwok Cheung, Brian	500,000	1.46
Lau Kwok Kuen, Peter	1,000,000	0.81

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 31st December, 1993 the following information was recorded in the register kept by the Company under section 16 of the Ordinance:–

Name of holder of shares	Number of shares
Lai Chee Ying, Jimmy	231,526,481
China Resources (Holdings) Co. Limited	63,776,786

Save as disclosed above, the directors are not aware of any other person having an interest in shares representing 10 percent or more of the issued share capital of the Company.

SERVICE CONTRACTS

No director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of bank loans and other banking facilities at 31st December, 1993 are set out in notes 15 and 22 to the accounts on pages 37 and 41 respectively. The bank loans are repayable within one year.

Report of the Directors

AUDITORS

A resolution to reappoint the retiring auditors, Coopers & Lybrand, will be submitted at the Annual General Meeting.

On behalf of the board

LAU KWOK KUEN, PETER
Chief Executive
Hong Kong, 29th March, 1994

Report of the Auditors

To the members of
GIORDANO HOLDINGS LIMITED

We have audited the accounts set out on pages 25 to 42 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December, 1993 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

COOPERS & LYBRAND

Certified Public Accountants
Hong Kong, 29th March, 1994

Consolidated Profit and Loss Account

For the year ended 31st December, 1993

	Note	**1993 HK$'000**	1992 HK$'000
Turnover	2	**2,334,135**	1,661,364
Operating profit	3	**180,481**	155,969
Share of loss of an associated company		**(13,815)**	(10,400)
Profit before taxation		**166,666**	145,569
Taxation	5	**(29,034)**	(30,478)
Profit attributable to the members	6	**137,632**	115,091
Appropriation:–			
Dividends	7	**(57,098)**	(46,545)
Retained profit for the year	18	**80,534**	68,546
Earnings per share	8	**22.0¢**	19.0¢

The notes on pages 29 to 42 form an integral part of these accounts.
Auditors' report - page 24

Balance Sheets

At 31st December, 1993

	Note	Group		Company	
		1993	1992	**1993**	1992
		HK$'000	HK$'000	**HK$'000**	HK$'000
Employment of capital					
Intangible assets	9	**602**	3,707	**0**	0
Fixed assets	10	**154,657**	100,353	**8,825**	11,189
Interest in subsidiaries	11	**0**	0	**735,517**	667,498
Interest in an associated company	12	**4,918**	20,200	**30,600**	30,600
Other investments	13	**1,325**	1,956	**1,307**	1,881
Current assets	14	**662,443**	620,208	**20,307**	8,153
Current liabilities	15	**(365,064)**	(381,303)	**(43,339)**	(35,473)
Net current assets/(liabilities)		**297,379**	238,905	**(23,032)**	(27,320)
		458,881	365,121	**753,217**	683,848
Capital employed					
Share capital	17	**63,098**	61,593	**63,098**	61,593
Reserves	18	**391,599**	300,084	**689,122**	620,996
Shareholders' funds		**454,697**	361,677	**752,220**	682,589
Deferred taxation	19	**4,184**	3,444	**997**	1,259
		458,881	365,121	**753,217**	683,848

Approved by the Board of Directors on 29th March, 1994

LAU KWOK KUEN, PETER
Director

BARRY JOHN BUTTIFANT
Director

The notes on pages 29 to 42 form an integral part of these accounts.
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Consolidated Cash Flow Statement

For the year ended 31st December, 1993

	1993 HK$'000	1992 HK$'000
Net cash inflow from operating activities – page 28	**124,847**	168,821
Returns on investments and servicing of finance:–		
Interest received	**2,760**	1,500
Interest paid	**(2,151)**	(462)
Dividends paid	**(47,114)**	(45,564)
Net cash outflow from returns on investments and servicing of finance	**(46,505)**	(44,526)
	78,342	124,295
Taxation:–		
Hong Kong profits tax paid	**(3,885)**	(9,779)
Overseas tax paid	**(28,007)**	(16,766)
Tax paid	**(31,892)**	(26,545)
Investing activities:–		
Purchase of fixed assets	**(108,449)**	(77,696)
Sale of fixed assets	**962**	938
Sale of permanent quotas	**0**	93
Interest in an associated company	**0**	(30,600)
Purchase of other investments	**(402)**	(1,161)
Purchase of intangible assets	**(503)**	(365)
Net cash outflow from investing activities	**(108,392)**	(108,791)
Net cash outflow before financing	**(61,942)**	(11,041)
Financing:–		
Issue of share capital	**15,583**	13,574
(Decrease)/increase in cash and cash equivalents	**(46,359)**	2,533
Cash and cash equivalents at the beginning of the year	**72,729**	68,733
Effect of foreign exchange rate changes	**(1,224)**	1,463
Cash and cash equivalents at the end of the year – page 28	**25,146**	72,729

The notes on pages 29 to 42 form an integral part of these accounts.
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Consolidated Cash Flow Statement

For the year ended 31st December, 1993

Analysis of the balances of cash and cash equivalents:–

	1993 HK$'000	1992 HK$'000
Cash and bank balances	**75,146**	72,729
Bank loans – unsecured	**(50,000)**	0
	25,146	72,729

Reconciliation of profit before taxation to net cash inflow from operating activities:–

	1993 HK$'000	1992 HK$'000
Profit before taxation	**166,666**	145,569
Net interest received	**(609)**	(1,038)
Depreciation of fixed assets	**51,232**	38,567
Amortisation of intangible assets and other investments	**4,641**	4,429
Share of loss of an associated company	**13,815**	10,400
Loss on disposal of fixed assets	**981**	1,281
Decrease/(increase) in inventories	**10,980**	(144,285)
Increase in trade receivable, other receivables, deposits and prepayments	**(50,798)**	(70,889)
(Decrease)/increase in trade payable, other payables and accruals	**(72,061)**	184,787
Net cash inflow from operating activities	**124,847**	168,821

The notes on pages 29 to 42 form an integral part of these accounts.
Auditors' report - page 24

Notes to the Accounts

At 31st December, 1993

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated accounts incorporate the accounts of Giordano Holdings Limited and its subsidiaries made up to 31st December, 1993.

The results of subsidiaries acquired during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition.

Capital reserve or goodwill arising on consolidation represents the excess or deficit of the fair value of the net assets of the subsidiaries at the dates of acquisition over the value of the consideration paid.

The capital reserve and goodwill arising on consolidation are offset against each other and the net amount is eliminated to reserves or included in reserves, where appropriate.

All material intercompany transactions and balances within the Group are eliminated on consolidation.

(b) Subsidiaries

Investment in subsidiaries are carried at cost, unless, in the opinion of the directors, there has been a permanent diminution in value when they are written down to directors' valuation.

(c) Associated company

An associated company is a company, other than a subsidiary in which the Group holds, not less than 20 percent and not more than 50 percent of the equity as a long term investment and has the ability to exercise a significant influence in its management. The associated company is accounted for by the Group under the equity method of accounting, and by the Company at cost less provision for permanent diminution in value (if any).

(d) Fixed assets

(i) Land held under long lease is not amortised.

(ii) Depreciation on other fixed assets is calculated to write off their costs on a straight line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:–

Leasehold improvements	20% – 50%
Plant and machinery	20%
Furniture and fixtures	20% – 50%
Office equipment	20% – 25%
Motor vehicles	20% – 25%
Leisure boat	20%

(e) Export quota entitlements

Purchased permanent export quota entitlements are capitalised and amortised over a period of five years.

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1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(f) Other intangible assets

Preliminary expenses in respect of retail shops and office premises are written off over the terms of the respective leases.

(g) Other investments

Purchased club debentures are capitalised and amortised over a period of three years.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and is arrived at as follows:–

(i) Raw materials and purchased goods - invoiced prices plus procurement costs.

(ii) Work in progress and finished goods - cost of direct materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

(i) Taxation

The charge for taxation is based on the profit for the year as adjusted for items which are non-assessable or disallowable. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing differences, computed under the liability method, is recognised in the accounts to the extent that it is probable a liability or asset will crystallise in the foreseeable future.

(j) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in operating results.

The accounts of overseas subsidiaries and branches at the year end are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the translation of share capital and opening reserves of these entities are taken directly to exchange reserve.

(k) Operating leases

Rentals applicable to operating leases, under which substantially all the benefits and risks of the ownership remain with the lessor, are charged to the profit and loss account as incurred.

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Notes to the Accounts

At 31st December, 1993

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) Cash flows

The company has adopted the provisions of Statement of Standard Accounting Practice no.15 "Cash Flow Statements" issued by the Hong Kong Society of Accountants in these accounts. Accordingly, a consolidated cash flow statement has replaced the consolidated statement of changes in financial position presented in last year's accounts.

2. TURNOVER

Turnover comprises sales at invoiced value to customers outside the Group, less returns and discounts.

3. OPERATING PROFIT

	Group	
	1993	1992
	HK$'000	HK$'000
The operating profit is stated after charging:–		
Auditors' remuneration	**1,174**	1,028
Depreciation of fixed assets	**51,232**	38,567
Amortisation of intangible assets	**3,608**	3,449
Amortisation of other investments	**1,033**	980
Interest on bank loans and overdrafts repayable within 5 years	**2,151**	462
Operating lease rentals in respect of retail shops, office premises, factories and warehouses	**357,557**	250,408
and after crediting:–		
Interest income	**2,760**	1,500
Net income arising from temporary transfer of export quota entitlements	**2,605**	5,784

4. DIRECTORS' EMOLUMENTS

The aggregate amounts of the directors' emoluments disclosed pursuant to Section 161 of the Companies Ordinance are as follows:–

	Group	
	1993	1992
	HK$'000	HK$'000
As directors	**440**	350
For management	**12,278**	9,600
	12,718	9,950

Auditors' report - page 24

5. TAXATION

(a) The charge for taxation in the consolidated profit and loss account represents:–

	Group	
	1993	1992
	HK$'000	HK$'000
Hong Kong profits tax	**5,694**	5,002
Overseas taxation	**22,679**	24,564
Deferred taxation (Note 19)	**661**	912
	29,034	30,478

The provision for taxation of the Company and its Hong Kong subsidiaries is calculated by applying the current rate of taxation of 17.5% to the estimated assessable profits earned in or derived from Hong Kong during the year.

Taxation on the profits of other subsidiaries operating overseas is calculated at the rates applicable in the respective jurisdictions.

(b) Taxation in the balance sheet represents the amount provided for Hong Kong profits tax and overseas taxation less provisional tax paid.

6. PROFIT ATTRIBUTABLE TO THE MEMBERS

Included in the profit of HK$137,632,000 (1992: HK$115,091,000), attributable to the members of Giordano Holdings Limited is HK$111,146,000 (1992: HK$85,916,000), including dividends from subsidiaries amounting to HK$111,904,000 (1992: HK$84,974,000), which has been dealt with in the accounts of the Company.

7. DIVIDENDS

	1993	1992
	HK$'000	HK$'000
Interim dividend of 2.5 cents (1992: 2.5 cents) per share paid on 6th October, 1993	**16,085**	15,516
Proposed final dividend of 6.5 cents (1992: 5 cents) per share	**41,013**	31,029
	57,098	46,545

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8. EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated operating profit attributable to the members for the year of HK$137,632,000 (1992: HK$115,091,000) and the weighted average of 626,346,879 shares (1992: 606,866,075 shares) in issue during that year.

9. INTANGIBLE ASSETS

	Group	
	1993	1992
	HK$'000	HK$'000
Purchased permanent export quota entitlements	**17,019**	17,019
Less: Amounts amortised	**(17,019)**	(13,615)
	0	3,404
Other intangible assets	**2,182**	1,679
Less: Amounts amortised	**(1,580)**	(1,376)
	602	303
Total intangible assets	**602**	3,707

Other intangible assets include the preliminary expenses and lease premium in respect of retail shops and office premises.

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10. FIXED ASSETS

	Land HK$'000	Plant & machinery HK$'000	Leasehold improvements, furniture, fixtures & office equipment HK$'000	Motor vehicles & leisure boat HK$'000	Total HK$'000
The Group:–					
Cost					
At 1st January, 1993	**0**	**30,684**	**156,219**	**10,215**	**197,118**
Translation difference	**0**	**0**	**(1,416)**	**(80)**	**(1,496)**
Additions	**13,926**	**7,156**	**83,055**	**4,312**	**108,449**
Disposals	**0**	**(1,512)**	**(10,895)**	**(1,416)**	**(13,823)**
At 31st December, 1993	**13,926**	**36,328**	**226,963**	**13,031**	**290,248**
Aggregate depreciation					
At 1st January, 1993	**0**	**14,486**	**78,325**	**3,954**	**96,765**
Translation difference	**0**	**0**	**(493)**	**(33)**	**(526)**
Charge for the year	**0**	**5,165**	**43,643**	**2,424**	**51,232**
Disposals	**0**	**(1,441)**	**(9,331)**	**(1,108)**	**(11,880)**
At 31st December, 1993	**0**	**18,210**	**112,144**	**5,237**	**135,591**
Net book value at 31st December, 1993	**13,926**	**18,118**	**114,819**	**7,794**	**154,657**
Net book value at 31st December, 1992	0	16,198	77,894	6,261	100,353

The land is held under a long lease and is situated in the People's Republic of China. The land was purchased for the purpose of constructing a factory.

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10. FIXED ASSETS (CONT'D)

	Furniture, fixtures & office equipment HK$'000	Motor vehicles & leisure boat HK$'000	Total HK$'000
The Company:–			
Cost			
At 1st January, 1993	**12,611**	**1,045**	**13,656**
Additions	**761**	**0**	**761**
Disposals	**(148)**	**(609)**	**(757)**
At 31st December, 1993	**13,224**	**436**	**13,660**
Aggregate depreciation			
At 1st January, 1993	**1,958**	**509**	**2,467**
Charge for the year	**2,630**	**295**	**2,925**
Disposals	**(77)**	**(480)**	**(557)**
At 31st December, 1993	**4,511**	**324**	**4,835**
Net book value at 31st December, 1993	**8,713**	**112**	**8,825**
Net book value at 31st December, 1992	10,653	536	11,189

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11. INTEREST IN SUBSIDIARIES

	Company	
	1993	1992
	HK$'000	HK$'000
Unlisted shares, at cost	**443,570**	442,570
Amounts due from subsidiaries	**291,947**	224,928
	735,517	667,498

Details of principal subsidiaries are set out in note 23 to the accounts on page 42.

12. INTEREST IN AN ASSOCIATED COMPANY

	Group		Company	
	1993	1992	**1993**	1992
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**0**	0	**200**	200
Share of net liabilities	**(25,482)**	(10,200)	**0**	0
Loan to the associated company	**30,400**	30,400	**30,400**	30,400
	4,918	20,200	**30,600**	30,600

At 31st December, 1993, the Group had an effective 20 percent interest in the equity of Tiger Enterprises Limited ("Tiger") which was incorporated in Hong Kong. Tiger and its subsidiaries are engaged in the manufacture, wholesale and retail distribution of garments and other accessories under the "GIORDANO" brand, in the People's Republic of China.

13. OTHER INVESTMENTS

	Group		Company	
	1993	1992	**1993**	1992
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club debentures, at cost	**3,338**	2,936	**3,221**	2,821
Less: amounts amortised	**(2,013)**	(980)	**(1,914)**	(940)
	1,325	1,956	**1,307**	1,881

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14. CURRENT ASSETS

	Group		Company	
	1993	1992	**1993**	1992
	HK$'000	HK$'000	**HK$'000**	HK$'000
Inventories (Note 16)	**378,623**	389,603	**0**	0
Trade and bills receivable	**86,687**	73,186	**0**	270
Other receivables, deposits and prepayments	**121,987**	84,690	**2,174**	1,372
Cash and bank balances	**75,146**	72,729	**18,133**	6,511
	662,443	620,208	**20,307**	8,153

15. CURRENT LIABILITIES

	Group		Company	
	1993	1992	**1993**	1992
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills payable	**135,214**	210,183	**0**	0
Other payables and accruals	**118,804**	115,896	**2,241**	4,324
Bank loans-unsecured (Note 22)	**50,000**	0	**0**	0
Taxation (Note 5(b))	**20,033**	24,195	**85**	120
Proposed dividends (Note 7)	**41,013**	31,029	**41,013**	31,029
	365,064	381,303	**43,339**	35,473

16. INVENTORIES

	Group	
	1993	1992
	HK$'000	HK$'000
Raw materials	**33,607**	40,716
Work in progress	**61,924**	64,383
Finished goods	**283,092**	284,504
	378,623	389,603

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17. SHARE CAPITAL

	1993 HK$'000	1992 HK$'000
Authorized:–		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:–		
630,975,000 ordinary shares of HK$0.10 each (1992: 615,925,000 ordinary shares of HK$0.10 each)	**63,098**	61,593

On 25th May, 1993, options to subscribe for 7,075,000 shares at HK$4.44 per share were granted to certain directors and employees of the Group under the Employee Share Option Scheme ("the Scheme"). These options can be exercised at any time during the period commencing two years after the date of grant and expiring on the fifth anniversary date of grant. Mr. Lee Kwok Cheung, Brian resigned on 31st December, 1993, following which the options to subscribe for 1,000,000 shares granted to him on 25th May, 1993 were cancelled.

During the year, 15,050,000 options granted under the Scheme in previous years were exercised. In this connection, the Company issued and allotted 9,700,000 shares and 5,350,000 shares of HK$0.10 per share at a premium of HK$0.71 and HK$1.36 per share respectively for cash to certain directors and employees of the Group who have exercised their share options under the Scheme.

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18. RESERVES

	Group		Company	
	1993	1992	**1993**	1992
	HK$'000	HK$'000	**HK$'000**	HK$'000
(a) Share premium:–				
Balance at 1st January	**159,010**	147,029	**159,010**	147,029
Arising on issue of new shares during the year	**14,163**	12,054	**14,163**	12,054
Share issuing expenses	**(85)**	(73)	**(85)**	(73)
Balance at 31st December	**173,088**	159,010	**173,088**	159,010
(b) Capital reserve:–				
Balance at 1st January and 31st December	**0**	0	**380,000**	380,000
(c) Exchange reserve:–				
Balance at 1st January	**5,602**	4,066	**0**	0
Exchange differences arising from translation of the accounts of overseas subsidiaries and branch	**(1,630)**	1,536	**0**	0
Share of associated company's exchange reserve	**(1,467)**	0	**0**	0
Balance at 31st December	**2,505**	5,602	**0**	0
(d) Retained profits:–				
Balance at 1st January	**135,472**	72,144	**81,986**	42,615
Retained profit for the year	**80,534**	68,546	**54,048**	39,371
Goodwill arising on consolidation eliminated to retained profits	**0**	(5,218)	**0**	0
Balance at 31st December	**216,006**	135,472	**136,034**	81,986
Total reserves at 31st December	**391,599**	300,084	**689,122**	620,996

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19. DEFERRED TAXATION

	Group		Company	
	1993	1992	**1993**	1992
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at 1st January	**3,444**	2,543	**1,259**	759
Translation difference on opening balance	**79**	(11)	**0**	0
Transfer from/(to) profit and loss account (Note 5(a))	**661**	912	**(262)**	500
Balance at 31st December	**4,184**	3,444	**997**	1,259

The deferred tax liabilities which arise mainly from accelerated depreciation allowances have been fully provided for in these accounts. The deferred tax asset in respect of tax losses not taken up in the consolidated accounts as at 31st December, 1993 arising from the deduction of the GIORDANO trademark valued at HK$380,000,000 for tax purpose, was HK$47,402,000 (1992: HK$55,153,000).

20. RELATED PARTY TRANSACTIONS

During the year, the Group, in the normal course of business, entered into the following transactions with certain related companies:–

	Group	
	1993	1992
	HK$'000	HK$'000
Purchases of sweaters from Comitex Knitters Limited	**61,469**	99,121
Income arising from sourcing of raw materials and garment processing and royalties income from Tiger and its subsidiaries	**80,054**	70,928

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21. COMMITMENTS

At 31st December, 1993, the Group had minimum commitments under operating leases in respect of retail shops, office premises, factories and warehouses to make payments in the next year as set out below:–

	Group	
	1993	1992
	HK$'000	HK$'000
Operating leases which expire:–		
Within one year	**25,785**	32,320
In the second to fifth years inclusive	**215,312**	129,722
	241,097	162,042

22. CONTINGENT LIABILITIES

At 31st December, 1993, the Group had contingent liabilities not included in the accounts in respect of the following:–

		Group	
		1993	1992
		HK$'000	HK$'000
(a)	Export bills discounted with recourse	**3,002**	4,309
(b)	Letters of credit issued but not yet utilised	**29,921**	35,111
(c)	Bank guarantees in lieu of utility deposits	**5,991**	7,008
(d)	Guarantee notes issued	**59,193**	5,339
		98,107	51,767

Trade financing facilities granted by banks to certain subsidiaries were guaranteed by the Company. At 31st December, 1993, the amount of such facilities utilised was HK$98,107,000.

In addition, the Company had also issued a guarantee in favour of a bank in respect of revolving credit and term loan facilities granted to a subsidiary. The total amount of such facilities utilised by the subsidiary at 31st December, 1993 was HK$50,000,000.

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23. SUBSIDIARIES

At 31st December, 1993 the Company held directly shares in the following principal subsidiaries:–

Name of subsidiary	Country of incorporation	Effective percentage of equity holding 1993	1992	Issued and fully paid share capital	Principal activities and country of operation
Giordano Limited	Hong Kong	**100**	100	Ordinary HK$5,000,000	Retailing of apparel and accessories in Hong Kong
Giordano Originals (Singapore) Private Limited	Republic of Singapore	**100**	100	Ordinary S$1,900,002	Retailing of apparel and accessories in Singapore
East Jean Limited	Hong Kong	**100**	100	Ordinary HK$1,000,000	Retailing of apparel and accessories in Taiwan
Aktiviti Padu (M) Sdn. Bhd.	Malaysia	**100**	100	Ordinary M$2	Retailing of apparel and accessories in Malaysia
Cohin Knitting & Garment Manufacturers Limited	Hong Kong	**100**	100	Ordinary HK$2,000 Non-voting deferred HK$3,261,000	Manufacturing of fine knitwear in the People's Republic of China
Gloss Mind Casual Wear Limited (formerly known as Gloss Mind Limited)	Hong Kong	**100**	100	Ordinary HK$1,000,000	Manufacturing of woven products in the People's Republic of China
Walton International Limited	Cayman Islands	**100**	100	Ordinary US$102	Licensing of trademarks in Hong Kong

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GIORDANO

MEANS SERVICE

BRIEFS
HPH UNITS
P. S.
P. S.
HPH
M
HPH
SHOP
PHOTO
DISPLAY
AREA

2800
M
DISPLAY ROD
CASHIER COUNTER
STORE ROOM
SHOP PHOTOS
3000L x 1500H
LIGHT BOX
H
LPH
MGR
LPH
GIORDANO
MEANS SERVICE
A
B
C
D
M
FITTING ROOM
M
1800
DISPLAY AREA
GIORDANO LOGO
LIGHT BOX
4000
1100
800

World without strangers

没 有 陌 生 人 的 世 界